

CHAPTER 2

ARTICLE 5 - REIMBURSEMENTS

Revised February 21, 2001

21050.1 Policy

The California Department of Corrections (CDC) shall recover the full costs of reimbursable goods and or services, unless full cost recovery has been prohibited by statute.

21050.2 Purpose

This article shall specify the requirements for full cost recovery on reimbursable goods and/or services.

21050.3 Responsibility

The Office of Financial Management (OFM), through the Office of Budget Management (OBM), shall ensure the inclusion of the reimbursements in the Governor's budget and the allocation of reimbursement authority to the various institutions and Headquarters.

- If the total departmental budget for reimbursements is insufficient, OBM shall request additional budget authority (using Form DF 47) according to the procedures described in the State Administrative Manual (SAM) § 6551 - 6557 and Section 28.5 of the Budget Act.
- OBM shall assist managers in determining the amount to collect for services to other governments.
- Individual managers shall stay within their reimbursement budget or make a timely request for an additional allocation from OBM.
- These managers shall notify OBM of new reimbursement activities for inclusion in the budget as a scheduled reimbursement.

21050.4 Definitions

The following sections are comprised of definitions that shall apply to this article.

21050.4.1 Reimbursement

Reimbursement consists of cash or some other asset received as repayment for the cost of work or services performed, or for other expenditures made for or on behalf of and for the convenience of another governmental unit, fund, or department, or for an individual firm or corporation. There should be a very positive, direct relationship of the charge to the cost of the particular services performed for an individual or entity before one should consider a receipt to be a reimbursement.

- Reimbursements represent the recovery of an expenditure and are shown in the budget as a reduction of the expenditures of a program or agency and are indicated by a minus (-) sign immediately before the dollar amounts.
- Reimbursements do not include any direct federal funding.

21050.4.2 Full Cost Recovery For Goods and/or Services

The full cost recovery of goods and/or services includes all costs attributable directly to the activity involved, which includes the following:

- All direct cost, e.g. salaries and wages of assigned staff to a reimbursable activity.
- Proportional share of CDC's indirect costs.
- Pro-rata share of statewide central services costs as determined by the Fiscal Systems and Consulting Unit of the State Department of Finance (DOF) through the Statewide Cost Allocation Plan.

Note: Scheduled reimbursements are included in the budget as a funding source and can be increased subject to the provisions of Section 28.5 of the Budget Act.

Full Cost Recovery

The State has a policy that departments shall recover full costs whenever goods or services are provided for others. These costs of goods or services include all costs attributable directly to the activity plus a fair share of indirect costs which can be ascribed reasonably to the goods or services provided. Refer to SAM § 8752.1 for the cost elements to include and further discussion.

- Direct costs are those which can be identified specifically with a particular program.
- Indirect costs are those support costs which usually benefit more than one program or organizational unit. They are accumulated and assigned periodically to the cost objective or organizational units which benefit from the support activity/function.
- Central service costs are costs incurred by central service departments for the benefit of all state departments.

21050.4.3 Budget Act - Section 28

Section 28 of the Budget Act addresses the approval to augment the expenditure of unanticipated federal funds and other state funds. Refer to SAMs § 6551 through 6557 for complete details of this process.

21050.4.4 Reimbursement Services

This is broadly defined as including those services which are performed for another agency, organization or individual that are not believed to be permanent in nature and which include, but are not restricted to projects funded indirectly with federal funds received through an interagency agreement.

- The participation by CDC in Reimbursement Services projects requires the use of special reporting units and a special set of accounts in order to segregate the financial effects from the ongoing support operation.

21050.5 Use of Reimbursement Accounts (By Services)

The level of reimbursement collections (receipts) for certain reimbursement accounts at a given location can remain stable over a long period of time. Such accounts do not need to be adjusted budgetarily. Conversely, those accounts in which a noticeable trend in activity has occurred, either upward or downward, need to be adjusted budgetarily for accuracy.

- Another type of activity is that in which there is a temporary increase in an expenditure to be reimbursed by some agency. The budgetary recognition of this type of increased collection activity can be accommodated within the current fiscal year by submission to OBM, Headquarters, of a Request for Budget Adjustment, which indicates both the increased expenditure and the anticipated increased reimbursement.

- In certain situations, typically involving employees who have paid in advance for services not subsequently received, refunds may be made by debiting the general ledger account. The procedure for this type of transaction is given in the SAM 11073.2, Claims for Refunds.

21050.5.1 Emergency Fire Suppression (Federal Only)

The reimbursement account for this service is not established budgetarily on an ongoing basis, only on an as needed basis. The procedure for reimbursement is covered in the above paragraphs.

21050.5.2 Other States and the U.S. Government

The reimbursement accounts for Support of Prisoners from Other Jurisdictions and Care of Federal Prisoners respectively are established as follows:

- Rates to be charged these entities, for retention of prisoners, shall be at the current rate charged in the interstate agreement.
- Billing for maintenance of federal prisoners will be done by the institution having custody of the individual prisoner.
- Billings for the care of prisoners from other states will be done by the departmental accounting office.
 - A possible area of failure to recover costs related to out-of-state prisoners is special medical care, that is not available to the prisoner within the institution's regular medical facilities. It is the responsibility of each institution, therefore, to notify the Chief of the Accounting Management Branch of such unusual medical expenses, along with supporting documents, in order that the other state may be billed for same.
- The federal government, other states, and counties will not be charged for retention of prisoners who are under commitment to CDC.

21050.5.3 Prison Industries Revolving Fund

For those services which are to be reimbursed to the support appropriation from Prison Industry Revolving Fund (previously known as Correctional Industries Revolving Fund) refer to the Penal Code (PC) §§ 2806 and 2816.

21050.5.4 Inmate Welfare Fund

Certain services are provided by institutions to the Inmate Welfare Fund (IWF). These services are paid from the General Fund (GF) appropriation initially, then IWF is charged and the GF is reimbursed. If the expenditure is paid initially from IWF and will be shared by the GF, the reimbursement will be made to IWF from the GF. Examples of these services are custodial overtime for coverage of special events, food for special dinners and banquets, accounting services, office supplies, printing services and supplies, etc. Receipts from outside groups for special dinners are, in large part, accepted as donations to IWF. See IWF Procedures Manual, Accounting Records, in the Departmental Operations Manual (DOM), Chapter 2, Article 20, for full details.

- In the absence of service charges, per se, donations to the IWF will be accepted as an expression of appreciation for the service received. Procedures shall be established to handle these donations along with collecting for the cost of materials and supplies; this is not considered a reimbursement.

21050.5.5 Other Department Units

Reimbursements can be recorded and reported between organizations. Each CDC institution, parole region and Headquarters office is recognized as a separate organization.

Some reimbursable transactions in this category can be of a stable, ongoing type, such as, purchases of printed forms from departmental printing plant. Others will fall in the one-time, as needed category, such as use by an institution of the services provided by a specialized vocational training unit at another institution, or the expenses incurred at one location on behalf of the Headquarters-administered training academies. The handling of both types are covered in DOM Section 21050.5 above.

21050.5.6 Employees

There are two types of services to employees that are available at most institutions (refer to DOM Chapter 5, Article 10 for further details).

- Those provided by the institution in connection with vocational programs or other available resources such as housing.
- Those provided by employee associations, per Government Code (GC) 11013.

This section concerns only the collection of payments for services rendered by or on behalf of the State of California.

- Procedures for handling receipts from services to employees will be standardized.
- Authorized services for employees which are rendered by inmates will be provided free of any labor charges.
- The cost of materials and supplies or other expense to the State incurred in connection with any such service shall be collected from employees on an actual or estimated basis as appropriate.

Purpose of Policy

The purpose of this policy is:

- To recognize the efforts put forth by inmates in performing these services by providing income to the vocational program where the services are performed.

21050.5.7 Miscellaneous Reimbursements

These reimbursement services include Services to Inmates, Services to Other Agencies, Work Furlough Administrative Charges, Repayment Cash Assistance to Paroles and to Community Correctional Center reimbursements. The handling of all these accounts is covered in DOM Section 21050.5 above.

- Services to inmates includes principally the sale of postage to inmates.
- Services to other agencies include Services to Employee Association, Services to the Department of Forestry and Fire Protection, etc. The reimbursement accounting records for each such agency must be separately maintained.
- With the exception of Sierra Conservation Center, California Mens Colony and California Correctional Center, services to the Department of Forestry (emergency firefighting) are not to be established budgetarily, only on an as-used basis, the same as Federal Fire Suppression.

21050.5.8 County or City Short-Term Prisoners

The reimbursement account for this service is Services to Other Agencies, with a subtitle consisting of the name of each such entity.

- Medical expenses should be handled in accordance with the following excerpt from the Standard Interstate Agreement Form.
 - "Any costs of medical, psychiatric or dental services shall be considered normal costs incidental to the operation of the institution in the receiving state if the service is rendered by staff personnel and in regularly maintained facilities operated or utilized by the institution as part of the health or correctional program thereof and if the inmate requires special medication, drugs, equipment, anesthetics, surgery or nursing care in addition to that commonly available on an informal basis. The cost of any special services, medication, equipment, surgical, or nursing care shall be chargeable to the sending state..."
- Billings for the occasional housing of county prisoners in CDC facilities will be done by the institution.

21050.5.9 Psychiatric and Medical Cases

With the approval of the Deputy Director, Institutions Division, and either the Warden's office or medical officer of the day at the receiving institution, and subject to the provisions of PC 4007, which requires a superior court order, an adult county prisoner may be received by CDC for psychiatric and medical care.

21050.6 Grants

Grants are the funds from sources other than CDC's GF for operational and demonstration programs which involve CDC's facilities, employees, inmates or parolees. These outside funding sources include, but are not limited to the Federal Government, other state departments, local agencies, and other public and private organizations.

21050.6.1 STD Form 607

Upon final approval of a grant which authorizes additional positions, a payroll reporting unit shall be established for that grant using the next number in the series authorized by the revised list of Program Payroll Reporting Units. Only fully funded positions will be established in these reporting units. Those positions assigned to in-kind match grants will continue to be charged against their regular reporting units; they are not to be included in the Reimbursement Services Reporting Unit.

- Std. Form 607's will not be approved by OBM unless evidence of an approved grant accompanies the document.
- Positions authorized by grant will be established only for the period of the grant. The date on which a grant expires is the date which will appear in item 4(b), expiration date of the Std. Form 607, which appoints grant positions. This instruction will be adhered to even when it's believed that the grant will be extended or renewed. The renewal or extension will be redocumented for that portion of the extension falling within the current year.

The STD. Form 607 process is required for any positions that are funded by Reimbursement.

21050.6.2 Advances/ General Ledger Accounting

Many Reimbursement Services project agreements contain a provision for advances. Where possible, accounting officers must apply for an advance payment that will maintain an ongoing level of expenditure prior to the first reimbursement and thereafter between reimbursements. Maximum advances will be obtained from all grantors as early as possible.

- Care must be exercised to determine that all in-kind match positions are filled at all times. Otherwise, the ability to recover the full amount of the contract is reduced by the amount represented by vacant positions.
- It is imperative that in-kind match positions and the time being billed for such positions are readily identifiable for audit purposes. Billings must be prompt and regular within the terms of the contract.
- It is important that grants must be self-supporting, except for in-kind match. Continual attention must be given to project records for reassurance that billings, requests for advances from grantors, and grantor's payments, are current.

General Ledger Accounting for Advances, as stated above; an attempt must be made to receive an advance from the grantor sufficient to maintain the anticipated continuing level of expenditures, even when such advance is not specifically mentioned in the contract. Such advances, when received, will be credited to general ledger account number 1600 - Other Liabilities-Advances.

21050.6.3 Collection – Indirect Overhead

SAM provides for the collection of Indirect Overhead (IO) costs associated with the operation of certain grants, contracts, and interagency agreements (SAM §§ 8753 through 8758.1).

- Generally speaking, these activities operate on a budget agreed to by all parties concerned. In addition, IO may be generated by an activity which either does not operate on a formal budget or in which the expenditures being recovered are intangible or not identifiable (refer to DOM 21050.6.4 to follow).
- The recovery of these IO charges as reimbursements to the GF are used, in CDC, as off sets to the expenditures generated by the Indirect Cost Pool in Headquarters.
- It is the obligation of the business manager at each location to ascertain that those services for which we contract and/or invoice are being charged IO at the currently approved rate, if applicable.

21050.6.4 Budgetary Recognition

Each Reimbursement Services project will be established budgetarily by a request to OBM and Std. Form 607s as required, as soon as, but only when, final approval of the agreement has been received. Only that portion of the grant that in the best estimate will be expended within the current year budget will be established. The remaining portion of the grant, overlapping into budget year, will be established for the new budget year before July 1.

- A grant which is expiring within the current year and which is being extended or renewed must be redocumented by Std. Form 607, quoting the authority to renew, for that portion of the renewal or extension falling within the current year.

21050.6.4.1 Projects at Two or More Locations

Projects that are to be operated at two or more locations should be apportioned according to each location's share of

the budget and individual requests prepared by each location. When this is not feasible (e.g. when there are many locations, or when one location must manage a grant in its entirety with subsidiary operating units), the subsidiary operating unit will still establish its share of the grant budget, using Reimbursement Services account numbers.

- Projects with no IO.
 - Contracts which contain no provision for charging IO (these should be in the minority) should be set up in a group of accounts.
- Projects with IO.
 - Contracts which provide for IO are to be established as outlined.
- Unanticipated IO (including IO contained in budgeted reimbursements such as the Department of Rehabilitation).
 - In as much as there is no contracted or budgeted amount, IO will not be established budgetarily until the annual level of collections can be reasonably well estimated from a few months actual billings.
 - Requests for budget adjustment will be forwarded to OBM (with Std. Form 607s, if appropriate) as indicated previously.

21050.6.5 Invoicing/IO

IO charges shall always be included in each invoice for the services rendered within the billing period and shall be directly related to those services. For example, if by a certain contract we are permitted to charge IO for personal services only, and if in a given month only operating expenses were charged to the operation, then no IO would be shown on the invoice for that month.

- When billing is made, the accounts receivable accrual is to be apportioned between the reimbursement account related to expenditure incurred, and reimbursement account for IO, exactly as distributed in the invoice.

21050.7 Accounting and Reporting Requirements

Further and specific instructions for accounting and reporting reimbursements can be found in the following Accounting Systems Bulletins (ASB).

- ASB # 83-5.
- ASB # 1985-4.
- ASB # 1985-5.

21050.8 Revisions

The Chief Financial Officer, OFM, or designee shall ensure that the content of this article is accurate and current.

21050.9 References

Accounting System Bulletins: 83-51985-41985-5.

SAM §§ 6551, 6557, 8752 – 8760, 11673.2.

Uniform Codes Manual.

Section 28 and 28.5 of the Budget Act

PC 2806, 2816, 4007

DOM Chapter 2, Article 20, and Chapter 5, Article 10.